

Message Text

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FM AMEMBASSY LONDON
TO SECSTATE WASHDC 2493
INFO AMEMBASSY BONN
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AMEMBASSY PARIS
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E.O.11652: GDS
TAGS: EEC, UK, EGEN, PEPR
SUBJECT: BRITISH VIEWS ON REFORMING THE EUROPEAN
COMMUNITY

REF: LONDON 20394 AND PREVIOUS
SUMMARY. (THIS IS THE PENULTIMATE MESSAGE IN A SERIES ON
BRITAIN AND THE EC.)
THERE HAS OCCASIONALLY BEEN A GREAT DEAL OF TALK IN BRIT-
AIN ABOUT THE NEED TO REFORM CERTAIN OF THE COMMUNITY'S
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POLICIES AND THE WAY ITS INSTITUTIONS OPERATE. THE
COMMON AGRICULTURAL POLICY HAS CONSISTENTLY BEEN THE PRI-
MARY TARGET OF CRITICISM. MOST RECENTLY, PRIME MINISTER
CALLAGHAN PROPOSED, IN HIS MUCH PUBLICIZED LETTER OF LAST
SEPTEMBER, SIX AREAS IN WHICH THE LABOR GOVERNMENT MUST
DEVELOP LONG-TERM PERSPECTIVES FOR REFORM OF THE EC. THE
GOVERNMENT WILL CONTINUE TO PURSUE ITS REFORM THEME, PAR-

TICULARLY SEEKING CHANGES IN THE CAP, BUT WE DO NOT EXPECT THIS TO BECOME A MAJOR UK POLICY OBJECTIVE, OR TO HAVE A SIGNIFICANT EFFECT ON THE COMMUNITY AND THE CAP, IN THE NEAR TERM. END SUMMARY.

1. THE IDEA OF REFORMING THE COMMUNITY HAS BEEN AN ATTRACTIVE CONCEPT IN BRITAIN BEGINNING ALMOST IMMEDIATELY AFTER THE UK JOINED IN 1973 AND PEAKING DURING THE RENEGOTIATION OF 1974-75. REFORMS OF VARIOUS KINDS HAVE APPEALED TO THOSE GENUINELY SEEKING TO IMPROVE THE OPERATION AND BENEFITS OF THE EC, TO THOSE WHO SOUGHT TO DEFLECT OR OVERCOME THE OBJECTIONS VOICED BY ANTI-MARKETEERS, AND TO THOSE WHO OPPOSE THE COMMUNITY AND ITS WORKINGS.

2. TWO CENTRAL PRINCIPLES HAVE HISTORICALLY DIRECTED THE LABOR GOVERNMENT'S POLICY ON REFORM OF THE EUROPEAN COMMUNITY: REFORM SHOULD NOT REDUCE THE SOVEREIGNTY OF PARLIAMENT, AND REFORM SHOULD BE TO THE UK'S OVERALL ECONOMIC ADVANTAGE.

3. THE MOST RECENT CALL FOR CHANGE CAME IN THE PRIME MINISTER'S SEPTEMBER LETTER TO THE SECRETARY GENERAL OF THE LABOR PARTY IN WHICH THE FOLLOWING SIX KEY ELEMENTS WERE SPELLED OUT:

(A) MAINTENANCE OF THE AUTHORITY OF NATIONAL GOVERNMENTS
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AND PARLIAMENTS;

(B) DEMOCRATIC CONTROL OF COMMUNITY BUSINESS;

(C) COMMON POLICIES MUST RECOGNIZE THE NEED FOR NATIONAL GOVERNMENTS TO ATTAIN THEIR ECONOMIC, INDUSTRIAL AND REGIONAL OBJECTIVES;

(D) REFORM OF THE COMMON AGRICULTURAL POLICY;

(E) THE DEVELOPMENT OF A COMMUNITY ENERGY POLICY COMPATIBLE WITH NATIONAL INTERESTS; AND

(F) ENLARGEMENT OF THE COMMUNITY.

4. CALLAGHAN'S LETTER MUST BE SEEN IN THE CONTEXT OF DOMESTIC EVENTS AT THE TIME, BUT ALSO AS A SINCERE EXPRESSION OF HIS OWN RESERVATIONS ABOUT THE EC AND OF THE DIRECTIONS IN WHICH HE WOULD LIKE TO SEE IT EVOLVE. HE SENT IT AFTER ANTI-MARKETEERS HAD RESTIMULATED DEBATE DURING THE SUMMER OVER BRITAIN'S RELATIONSHIP WITH THE EC AND BEFORE THE LABOR PARTY CONFERENCE CONVENED IN THE FALL. A MAJOR OBJECTIVE WAS TO KEEP ANTI-MARKETEERS FROM GETTING THE CONFERENCE TO TAKE A POSITION THAT WOULD PRECLUDE OFFICIAL LABOR PARTY PARTICIPATION IN DIRECT ELECTIONS FOR THE EUROPEAN PARLIAMENT. CALLAGHAN SUCCEEDED IN THIS EFFORT. MORE GENERALLY, THE LETTER WAS PART OF

A HIGHLY EFFECTIVE POLITICAL TACTIC WHICH LARGELY STOPPED
LABOR PARTY IN-FIGHTING OVER BRITAIN'S RELATIONSHIP WITH
THE COMMUNITY AND WHICH NOW ALLOWS CALLAGHAN TO TELL HIS
EUROPEAN COLLEAGUES THAT THE LONG ARGUMENT IN THE LABOR

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MOVEMENT CONCERNING EC MEMBERSHIP IS OVER.

5. SINCE THE LABOR PARTY CONFERENCE IN OCTOBER, LITTLE
HAS BEEN HEARD ABOUT BRITAIN GETTING OUT OF THE EC OR
ABOUT CALLAGHAN'S SIX POINTS. THE MAIN POINTS IN HIS
LETTER WILL ALMOST CERTAINLY APPEAR IN SOME FORM AS PART
OF LABOR'S MANIFESTO FOR THE NEXT ELECTION. HOWEVER, EC
REFORM IS UNLIKELY TO BECOME A MAJOR ISSUE IN THE ELEC-
TION, ESSENTIALLY BECAUSE IT IS NOT A MATTER OF CONCERN
TO MOST PEOPLE AND BECAUSE THERE DO NOT APPEAR TO BE SUB-
STANTIAL DIFFERENCES BETWEEN THE TORY LEADERSHIP AND

LABOR ON THIS ISSUE. WE THEREFORE DO NOT EXPECT REFORM
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TO FLARE UP AS A SERIOUS POLITICAL ISSUE IN BRITAIN IN
THE NEAR FUTURE.

6. THIS DOES NOT MEAN THAT THE LABOR GOVERNMENT WILL
ABANDON ITS PURSUIT OF CHANGE IN SOME ASPECTS OF THE
COMMUNITY, AND THE CAP WILL REMAIN THE PRINCIPAL TARGET.
THE GOVERNMENT'S STATED INTENTION, AS FREQUENTLY POINTED
OUT BY CALLAGHAN, IS NOT TO CHANGE THE CONCEPT OF A
COMMON SYSTEM, BUT TO MODIFY THE FEATURES WHICH PRODUCE
UNECONOMICAL AND UNWANTED SURPLUSES AT GREAT COST. SPEC-
IFICALLY, THE PRIME MINISTER HAS SAID THE UK SHOULD WORK
TOWARD A FOUR-YEAR STRUCTURAL PLAN THAT WOULD EMBODY AT
LEAST THE FOLLOWING ELEMENTS:

- (A) SUBSTANTIALLY REDUCE SURPLUSES;
- (B) RESTRAIN PRICES TO THE MINIMUM NECESSARY FOR EFFI-
CIENT PRODUCTION;
- (C) GIVE GREATER SCOPE TO COMPETITIVE IMPORTS FROM
ABROAD, ESPECIALLY FROM DEVELOPING COUNTRIES;
- (D) EXPAND THE RELATIVELY MORE EFFICIENT AGRICULTURAL
PRODUCTION IN THE UK; AND
- (E) SHIFT SOME RESPONSIBILITY FOR SUBSIDIZING INCOMES OF
INEFFICIENT PRODUCERS FROM THE COMMUNITY TO NATIONAL
GOVERNMENTS.

7. OBVIOUSLY, THESE WOULD CONSTITUTE MAJOR CHANGES IN
THE WAY THE CAP OPERATES TODAY. THEY ARE PROBABLY
POLITICALLY UNACCEPTABLE TO THE MAJOR CONTINENTAL COUN-
TRIES OF THE COMMUNITY, EVEN IF ECONOMICALLY SOUND. AND,
CALLAGHAN THE POLITICIAN RECOGNIZES THE PRESSURES OPERA-
TING IN THE COMMUNITY WHICH PUSH IN ON THE CAP TO FORCE
IT INTO THE DISTORTED BUT GENERALLY ACCEPTABLE SHAPE IT
IS IN TODAY. IT IS NOT LIKELY HE EXPECTS HIS PROPOSALS
TO HAVE A SIGNIFICANT IMPACT ON THE CAP IN THE SHORT
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TERM, BUT THEY CERTAINLY PROVIDE HIM WITH A DESIRABLE
OBJECTIVE AND A DOMESTICALLY DEFENSIBLE POSITION. THE
PRESENT WORKING OF THE CAP, IN FACT, PROVIDES SEVERAL
PALLIATIVES WHICH CONTRIBUTE TO BRITISH ECONOMIC OB-
JECTIVES, ESPECIALLY THAT OF KEEPING PRICES LOW. THESE
INCLUDE THE CUSHIONING EFFECT ON PRICES OF THE GREEN
POUND (THE INTRA-COMMUNITY EXCHANGE RATE FOR AGRICULTUR-
AL TRADE), AND THE FACT THE UK PAYS LESS THAN ITS FULL

SHARE OF THE EC BUDGET, OF WHICH THE CAP ACCOUNTS FOR THE MAJOR SHARE. AS THESE "CUSHIONS" DISAPPEAR, THE UK GOVERNMENT MAY BECOME MORE INSISTENT ON CAP REFORM -- BUT THIS IS LARGELY A PROBLEM FOR THE NEXT GOVERNMENT.

8. THE OTHER FIVE "FUNDAMENTAL REFORMS" ON CALLAGHAN'S LIST ARE NOT SO MUCH COMMUNITY REFORMS AS THEY ARE THE GOALS TOWARD WHICH HE WOULD LIKE TO SEE THE EC MOVE. "MAINTENANCE OF NATIONAL GOVERNMENT AUTHORITY" IS THE WELL-ESTABLISHED UK POSITION, BASED ON THE BRITISH CONSTITUTION, THAT INCREASES IN COMMUNITY POWERS REQUIRE THE UNANIMOUS CONSENT AND POSITIVE ACT OF ALL EC COUNTRIES. "DEMOCRATIC CONTROL OF COMMUNITY BUSINESS" TRANSLATES LARGELY INTO A CALL FOR GREATER PARLIAMENTARY SURVEILLANCE OF COMMUNITY LEGISLATION TO INSURE EC INSTITUTIONS DO NOT IMPINGE ON WHAT IS MORE APPROPRIATELY NATIONAL DECISION-MAKING AUTHORITY OR UNDERMINE PARLIAMENT'S ULTIMATE SOVEREIGNTY. CALLAGHAN'S POINT ON INDIVIDUAL COUNTRY "ATTAINMENT OF ECONOMIC, REGIONAL AND INDUSTRIAL OBJECTIVES" CONCLUDES THAT FEARS OF COMMUNITY INTERFERENCE ARE EXAGGERATED AND IT IS VIGILANCE IN THE FUTURE THAT IS REQUIRED. THE STATEMENT ON "DEVELOPMENT OF A COMMUNITY ENERGY POLICY" IS A PLEDGE TO DEFEND VIGOROUSLY BRITISH ENERGY INTERESTS IN BRUSSELS AND IS CERTAINLY NOT A CALL FOR A COMMON ENERGY POLICY, EXCEPT ON BRITISH TERMS.

9. THE REMAINING STATEMENT OF RELATIVELY UNQUALIFIED
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SUPPORT FOR "ENLARGEMENT OF THE COMMUNITY" IS AN EASY POSTURE TO TAKE SINCE BRITAIN DOES NOT COMPETE WITH MEDITERRANEAN AGRICULTURAL PRODUCTS, AND CALLAGHAN CONCLUDES

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THAT THE DANGERS OF AN OVER-CENTRALIZED COMMUNITY WOULD BE FAR LESS WITH 12 MEMBER STATES THAN NINE. THIS UK POSITION ON ENLARGEMENT GOES TO THE HEART OF THE ISSUE OF HOW THE COMMUNITY WILL BE RESHAPED IN THE NEXT DECADE OR SO. IT IS OBVIOUS TO ALL THE NINE THAT THE FULL ENTRY OF THREE RELATIVELY POOR MEDITERRANEAN COUNTRIES COULD LEAD TO FUNDAMENTAL CHANGES IN THE NATURE OF THE EC AND PERHAPS DECIDE FOR SEVERAL GENERATIONS WHETHER THE COMMUNITY MOVES TOWARD A LOOSER, FREE TRADING AND ECONOMIC AREA OR MAINTAINS ITS SOMEWHAT FITFUL MOVEMENT TOWARD GREATER COHESION. THE STRUCTURE WHICH WORKED REASONABLY WELL FOR SIX RELATIVELY SIMILAR COUNTRIES MAY PROVE UN-CONFIDENTIAL

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WORKABLE FOR A MORE DISPARATE COMMUNITY OF 12 IN THE ABSENCE OF FUNDAMENTAL REFORM. AND WHILE LABOR GOVERNMENT POSITIONS ON REFORM THROUGH ENLARGEMENT MAY NOT BE COMPLETELY FORMED AT THIS TIME, THEY CAN BE EXPECTED TO REINFORCE THE NATURAL DEVELOPMENTS CAUSED BY ENLARGEMENT AND TO SEEK REVISED COMMUNITY STRUCTURES MORE IN LINE WITH CURRENT BRITISH ATTITUDES TOWARDS THE EC.

10. IN SUM, THIS LABOR GOVERNMENT IS SERIOUS IN ITS INTENTION TO SEEK A COMMUNITY MORE AMENABLY STRUCTURED TO BRITISH INTERESTS AND CAN BE EXPECTED TO FOCUS ITS ATTENTION PRIMARILY ON THE CAP. HOWEVER, IT IS OUR ASSESSMENT THAT THIS INTENTION WILL NOT EVOLVE INTO A MAJOR POLICY OBJECTIVE AND IS UNLIKELY IN THE SHORT-RUN TO HAVE

EFFECTS OF ANY CONSEQUENCE ON THE COMMUNITY.

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